

CITY OF HORSESHOE BAY

CITY COUNCIL PUBLIC MEETING AND PUBLIC HEARINGS

January 23, 2007

The Council of the City of Horseshoe Bay held a Public Meeting and Public Hearings at City Hall, located at #1 Community Drive, Horseshoe Bay, Llano County, Texas, January 23, 2007, in accordance with duly posted notice of said meeting. Mayor Bob Lambert called the meeting to order at 3:00 p.m. with a quorum of Council Members present as follows:

Robert W. Lambert, Mayor
James E. Babcock, Mayor Pro Tem
John Bird, Alderman
Karen Wines, Alderwoman
Richard Rantzow, Alderman
Jeff Robinson, Alderman

The posted agenda for this meeting is made a part of these minutes by attachment and the minutes are herewith recorded in the order the agenda items were considered with the agenda subject and item number shown preceding the applicable paragraph.

1. Call to Order and Establish a Quorum: Mayor Bob Lambert called the Public Meeting to order at 3:00 p.m. with a quorum present. Pete Christy from the Church at Horseshoe Bay led the invocation. Mayor Lambert then led the pledge of allegiance to the United States Flag and the Texas Flag.
2. Comments from Mayor: Mayor Lambert thanked everyone for attending the meeting. He said he needed to repeat and then follow the procedures the Council has adopted concerning the meetings. The public is encouraged to make comments to the City Council; however it is required that the public sign up for a specific agenda item and speak at a podium in order to be recorded and identify yourself to the Council. Each person is allowed to make comments for up to three minutes. There will be no question and answer or discussion between the audience and the council. The speaker may make comments at the beginning of an agenda item then the Council will discuss the item without interruption. He then gave the audience additional time to sign up to speak.
3. Comments from Aldermen: Alderwoman Wines thanked the Mayor for his article in the paper explaining the PID. She said he did a good job and she felt that was why there was a large turnout for the meeting today.
4. Public Comments: There were no public comments.
5. Recognition of Staff: Mayor Lambert presented Staff Five-Year Service Awards to Firefighters Brad Casey and Todd Colvin. Firefighter Joe Bates was unable to attend the presentation. He then asked Alderman Jeff Robinson, who served as Chairman of the Hill Country 100 Club, to recognize the City employees who received awards this year. Alderman Robinson then announced the Award Recipients: Mike Martin, Law Enforcement Officer of

the Year; Jeramy Schwartzer, Firefighter of the Year; and Megan Garcia, Support Person of the Year. Alderman Robinson stated the purpose of the Hill Country 100 Club is to aid families whenever an EMS, Fire or Police officer is lost in the line of duty; they will cut a check within 48 hours for \$10,000 to the family. It is often difficult for these people to obtain life insurance therefore this can be a great deal of help to them. He then explained the membership requirements and invited anyone interested in becoming a member to contact him.

6. FY 2006 Audit: Mayor Lambert introduced Keith Neffendorf, a partner from the accounting firm of Neffendorf, Knopp, Horry & Doss, P.C. who performed the City's first audit. Mr. Neffendorf presented the audit for the Fiscal Year 2006 to the Council noting that the City has received a clean, unqualified report with no material weaknesses noted. He also reported that all reserve requirements for indebtedness have been met and all of the City's funds are invested in a prudent manner and sufficiently collateralized. Mr. Neffendorf reported that overall, the City is in strong financial condition with net assets totaling over \$21 million.
7. Lifestyle Committee Ordinance Recommendations: Mayor Lambert introduced Jim Long, Chairman of the Lifestyle Committee, who explained that all of the committee members are present at today's meeting and they can answer any questions the Council might have. Mayor Lambert then stated none of the ordinances are to be considered today and after the Council reviews the recommendations, he would like to post them on the City's website for public input and suggestions. He then stated the committee had also held a Public Meeting. A brief description of each recommended ordinance is hereby attached and made a part of these minutes.
8. City Sales Tax Committee Recommendation: Mayor Lambert introduced Bob Lowry from the Sales Tax Committee. Mr. Lowry said he served on the committee along with Jerry Dunn and Neil Younker. They had been charged by the City with gathering and analyzing data in order to give a recommendation to the City Council. He said they have shared the data with the public and have gathered public input concerning this issue. On January 4, 2007 they held a Public Meeting and invited people to come and ask questions. He then stated the committee recommendation was unanimous and is based on the data gathered and the public input they received. He said the committee recommended the Council take whatever action is necessary to hold an election on May 12, 2007 and to have two sales taxes on the ballot. One will be for a 1% General Revenue Sales Tax and the second a 1/2 % for Property Tax Abatement. Further, they recommend if those two items pass at the election then all revenues from sales taxes should be used to reduce Ad Valorem Property Tax Rates. He also recommended the Council pass a Resolution that all revenues from sales tax should always be used to reduce Ad Valorem Property Tax Rates and an annual report of what has been collected and how it has been spent should be produced. Finally, they recommended the Council should take no action to remove the exemption of sales taxes on Telecommunication Services. Mr. Lowry then said he had enjoyed working on this project a great deal, especially working with Mr. Dunn and Mr. Younker. He noted Teresa Moore provided a lot of help. Mayor Lambert asked if the Council had any questions. Alderwoman Wines asked for clarification that the two sales taxes must be considered as separate items on the ballot. Mr. Lowry stated they did. Alderman Robinson asked if the Resolution concerning the intent of the Council to always use these taxes to reduce Ad Valorem Property taxes would bind future Councils from ever using them for anything else. City Attorney Monte Akers stated that it is merely a recommendation of the Council and is not binding on future Councils.

9. Ordinance Calling City Sales Tax Election for May 12, 2007: Mayor Lambert stated if the two Sales Taxes pass, they are estimated to earn \$400,000 in the first year and will grow as commercial businesses in the City increase. He added there are some typos in the ordinance and it would be cleaned up prior to signing. Alderman Robinson made a motion to approve the Ordinance. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0).
10. Resolution in Regard to the Use of Revenues Raised by the Imposition of Municipal Sales and Use Taxes: Mayor Lambert explained this is expressing the intent of this Council to utilize all Sales Tax collected to reduce Ad Valorem Property Taxes. Alderwoman Wines made the motion to approve the Resolution. Alderman Robinson seconded the motion. The motion passed unanimously (5-0).
11. Resolution Thanking the Sales Tax Committee: Alderman Bird made the motion to approve this Resolution. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0). Mayor Lambert presented each of the members of the Sales Tax Committee with a copy of the Resolution.
12. Items to be Removed from the Consent Agenda: Mayor Lambert asked if there were any items to be removed from the Consent Agenda. Alderwoman Wines asked for the minutes to be removed.
 - a. Minutes of December 12, 2006 Workshop and the December 12, 2006 Public Meeting: Alderwoman Wines said that on Item #23 a motion was made and seconded and then tabled for a later date. She asked that this be added to the minutes. Alderwoman Wines was asked to give the revised wording to City Secretary Toni Vanderburg. Mayor Lambert then asked for the minutes to be approved with this change. Alderman Rantzow made the motion to approve the minutes. Alderman Robinson seconded the motion. The motion passed unanimously (5-0).
13. Consent Agenda Items: Alderman Robinson made the motion to approve the remaining items on the Consent Agenda. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0).
 - b. Acceptance of Private Donations to the Police and Fire Department; and Authorize Disbursement of those Donations
 - c. Professional Services Agreement for Presiding Municipal Court Judge
 - d. 2007 City Holiday Schedule
14. General Manager's Report: General Manager Thuss reported he attended an LCRA meeting and it was reported that the inflows to the Highland Lakes are the lowest since 1942. They did however think the rice farmers downstream would have a small crop this year and will require less water and the LCRA will be able to meet all of the requirements of the rice farmers through September. However, Lake Buchanan could drop another five feet and Lake Travis another 10 feet if the drought continues throughout the summer. LCRA is asking all the communities to look at their conservation plans. Mr. Thuss said he would be working on this along with Director of Public Works Glenn Jones and they hope to reduce consumption in the City by 10%. The General Manager's Report is attached and hereby made a part of these minutes.

15. Lago Escondido Development Report: Dean Blaine, the Project Manager with Escondido, said they are considering revising their plans for part of Lago Escondido. Originally, this area was planned to be multi-family. However, when Escondido was brought into the City, it was zoned as single-family. They are currently considering requesting rezoning and replatting eleven lots into twenty-three multi-family lots. He said he knew this might cause some concerns going from single-family lots back to multi-family lots and that was why he was here to present this to the Council prior to proceeding any further. He added this should provide a much better boardwalk type water access amenity due to the fact some of these original lots did not have good lake access. They will be similar to the Casitas in Escondido and will be 2500 to 3000 square feet per living unit and no more than two stories. The units will be low density increasing the total units by 12 from 37 to 49. After some discussion Mayor Lambert encouraged them to proceed with the formal request for the plat change and the zoning change.
16. Proposed Skywater Development: Sam Martin advised the Council that they are in a position to present a final master plan for Skywater. The main difference from the last preliminary plan is they have addressed the zoning they wish to request. Phase One includes 200 single-family lots and the Jack Nicklaus Golf Course. It is anticipated to be completed in 2007. Phase Two should start early in 2008 and take approximately two years to complete with Phase Three construction planned to start three years out. Mayor Lambert proposed that today's discussion focus on the paper he wrote and also see if there are other areas that need addressing. Alderman Robinson asked Attorney Akers to clarify whether the PID Agreement would in any way increase or decrease the City's ability to control development of Skywater. Mr. Akers stated it should increase the ability to control. He added the City can not stop the development of Skywater. The PID is a tool whereby the City exercises authority through the documents that are going to be generated in the process and result in a method to reimburse the developer for his costs and by doing it through a PID and a development agreement, the City is able to require the property be annexed and establish development standards similar to those in the City's Subdivision Ordinance that are tailored for this project. Alderman Robinson then asked if there was anything in the PID agreement that would overrule any of the existing ordinances. Mr. Akers stated that in the Zoning Ordinance there is a Planned Development Agreement which is intended as a unique subdivision that the City will apply specific and unique rules for. He said that there will be a PID and there will also be a Planned Development Agreement with the City. There will be a Planned Development Ordinance that contains the land use regulatory provisions that apply to that Planned Development District that may or may not be different from the Subdivision Ordinance. The Planned Development Ordinance will be negotiated by the Council with the developer. Attorney Akers stated cities only have zoning authority and full land use regulatory authority over property within the city. As a General Law city HSB can not unilaterally annex property. This can only be done upon petition to the City by the property owner, and if the City refuses to do this, then it would take away some of the incentive to be annexed. Alderman Robinson asked if in light of the current negotiations with Skywater would the City's collecting and passing along infrastructure costs from the lot owners to the developer have any negative financial impact on the City. Attorney Akers said he certainly did not see how. The lot owners will be obligated to pay an assessment. The City may act as the collecting agency and would be reimbursed for their costs in doing that. If the lot owner refused to pay there are the same remedies, such as a lien, as there are for a taxing entity; however, the City is not obligated to enforce that lien. Ultimately it would be the developer that would suffer any ramifications from non-payment. Alderman Robinson then stated for clarification purposes that none of these agreements that have been discussed

concerning Skywater are subject to a general election and will be decided by the City Council. Attorney Akers stated that was correct. Alderman Rantzow said it sounded like by allowing the PID then the City would have more control. Attorney Akers stated if the City did not allow the PID then the logical thing for the developer to do would be to create a WCID or Municipal Utility District. To do this, the developer would need to petition the City for consent; however, if the City refused to consent, the law is such that the developer could create it anyway. He then stated in his opinion, the big advantage for the City is by annexing the property and bringing it into your tax base, and because it is part of the City, you have the maximum range of land use authority that the law allows and you do not have a water district next door to you that is a separate community with its own board of directors that does not answer to the City Council in any particular way. Mayor Pro Tem Babcock added that under the PID agreement, the City has the opportunity to review, approve and verify that the funds were actually expended for the infrastructure. He also stated the City's regulations on development are some of the most stringent in almost any city in the country. Alderman Robinson then asked Armand Biglari for an estimate of the amount this development would add to the City's tax rolls. Mr. Biglari stated based on the assessments they have done on vertical construction, not counting the lots, the amount would be \$1 billion when fully developed, doubling the current amount. Alderwoman Wines asked what would happen if the property owner did not pay the assessment. Mayor Lambert clarified that the billing would appear on the regular tax statement property owners now receive. The counties would actually collect the money and remit to the City the same as they now do the City tax. Alderwoman Wines asked if this assessment was tax deductible. Attorney Akers stated it was an assessment and not a tax, but the ramifications of not paying would be the same as if it were a tax. It is the same as the HSB Maintenance Fund assessment. The Mayor then asked if there were any further questions. He added he plans to update the paper on Skywater as new developments occur. Mayor Lambert then stated there are two options on how to proceed. The first one is for the City Council to rely on the paper and let Monte Akers, Jim Babcock and the Mayor handle the legal agreements. The second option is his preference and would be for the Council to hold a workshop in order to go over all of the agreements at that time. They would invite the developers and their attorneys to be present and have a review, editing and negotiating session in a public forum and hopefully reach an agreement. His criteria would be that the Council would receive final drafts that the City's attorneys are satisfied with at least a week prior to the workshop. At the same time the draft agreements would be made available for review on the City's website. The citizens would be encouraged to make comments at the beginning of the workshop. After receipt of these drafts the Mayor would update his paper and place the revised version on the website.

17. Additional City Council Meeting or Workshop: Mayor Lambert recommended having a workshop to discuss all the Skywater documents on February 13, 2007 at 1:00 p.m. He added if all of the documents were not ready for review by the Council and publication one week in advance then he will cancel the workshop. Alderman Robinson made the motion to hold an additional Council workshop as discussed. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0).
19. Public Hearing Regarding the Formation of a Public Improvement District for Skywater: Mayor Lambert convened the Public Hearing at 4:31 p.m. Mr. Bill Wines and Mr. Bill Lloyd addressed the Council about their concerns of the PID and the Development Agreement. Mayor Pro Tem Babcock stated the issue of the PID and the annexation is ongoing. As they move forward in the next few weeks they will continue to be fleshed out up to the workshop on

February 13, 2007. All the Council is doing today is accepting the petition. Mr. Ken Martin complemented the Council on their professionalism and leadership and stated he appreciates their hard work and patience in dealing with these issues. At 4:44 p.m. the Mayor recessed the public hearing until a subsequent meeting.

18. Resolution for the Formation of a Public Improvement District for Skywater: Mr. Bill Wines addressed the Council on this issue expressing his concern as to the necessity of allowing formation of the PID. Mayor Lambert asked Attorney Akers to explain the Resolution the Council is considering. Mr. Akers stated that Chapter 372 of the Local Government Code is the authorization for creation of a PID and it provides a city or a county may create a PID either by their own initiative or in response to a petition and that petition must comply with Chapter 372. There is a list of things that must be included in the petition. Once the City has the petition it has to insure that it does comply and that kicks off the process. The Resolution before the Council today simply reflects that the City has received the petition and it complies with Chapter 372. Mayor Pro Tem Babcock made the motion to approve the Resolution. Alderman Robinson seconded the motion. The motion passed unanimously (5-0).
20. Public Hearing Regarding Zoning Variance to Siena Creek Phase One Lot No.7:
22. Public Hearing Regarding Zoning Variance to The Trails Lot No. 18-1A:
24. Public Hearing Regarding Zoning Variance to The Trails End Lot No. 8:
26. Public Hearing Regarding Conditional Use Permit(s) for Installation of Five Temporary Trailers in Escondido Subdivision:
Mayor Lambert convened the Public Hearings at 4:47. He then asked if there were any public comments. There were none and he adjourned the Public Hearings at 4:48.
21. Zoning Variance Siena Creek Phase One Lot No. 7: Alderman Robinson made the motion to approve the variance to the garage door location to allow one of the garage doors to face the street. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0). Alderman Bird asked that the record show that the people affected by this variance were notified and there were no objections received.
23. Zoning Variance The Trails Lot No.18-1A: It was noted that the Architectural Committee has approved this variance to the side setbacks to allow 10-foot side yard setbacks. Alderman Rantzow made the motion to approve the variance. Alderman Robinson seconded the motion. The motion passed unanimously (5-0). Alderman Bird asked that the record show that the people affected by this variance were notified and there were no objections received.
25. Zoning Variance The Trails End Lot No. 8: Mike Walsh stated this is a section of garden home lots and it is difficult to have a side entry garage on a garden home. In the past, prior to annexation into the City and passage of the Zoning Ordinance, the Architectural Committee has granted this type variance. Now he is working with City staff to bring the Zoning Ordinance current with architectural issues in the Trails in order not to have to ask for variances on these issues one at a time. Alderman Robinson made the motion to approve the variance to allow the garage door to face the street. Alderman Bird seconded the motion. The motion passed unanimously (5-0). Alderman Bird asked that the record show that the people affected by this variance were notified and there were no objections received.

27. Conditional Use Permits for Escondido: Alderman Rantzow made the motion to approve the Conditional Use permits allowing five temporary trailers in Escondido Subdivision to be used as follows: Trailer #1 is currently a temporary sales office, Trailer #2 is to be installed next to the existing sales office, Trailer #3 is to be installed at the Main Clubhouse site and Trailer # 4 & #5 are to be installed on Lot Nos. 260 and 261 to be used to temporarily house the clubhouse staff until the main clubhouse is complete. All trailers will be removed by December 31, 2008. Alderman Babcock seconded the motion. The motion passed unanimously (5-0).

28. Preliminary Plats:

- a. Replat of Lot No. 50010, Horseshoe Bay Plat No. 50.1 and Lot No. 50011-A, Horseshoe Bay Plat No. 50.3, to be known as Horseshoe Bay Plat No. 50.4, Llano County, Texas
 - b. Replat of Lot Nos. 13020, 13021 and 13022, Horseshoe Bay Plat No. 13.1 and Lot No. 13024-A, Horseshoe Bay Plat No. 13.3, to be known as Horseshoe Bay Plat No. 13.6, Llano County, Texas
 - c. Replat of Lot No. 25052-A, Horseshoe Bay Plat No. 25.5, to be known as Horseshoe Bay Plat No. 25.10, Llano County, Texas
 - d. Replat of Lot Nos. W10027 and W10028, Horseshoe Bay West Plat No. W10.1, to be known as Horseshoe Bay West Plat No. W10.7, Llano County, Texas
 - e. Platting of a 0.64 acre tract out of the Levi Mercer Survey No. 2, to be known as Horseshoe Bay West Plat No. W14.4, Llano County, Texas
- General Manager Thuss pointed out there is an error on the write up for Item 28.b. These lots are being divided into two lots not one lot as the write up states. Alderman Robinson made the motion to approve the preliminary plats. Alderman Rantzow seconded the motion. The motion passed unanimously (5-0).

29. Resolution Expressing Support for Funding of the Texas Tech University Hill Country Educational Network and the TTU Center at Junction: Mr. John Racz stated that Texas Tech University was brought to the Hill Country five or six years ago with sites in Marble Falls, Fredericksburg and Junction. They have been receiving some assistance for the Legislature to help fund the early years of establishing these teaching sites. Enrollment is growing; however, it is not totally self-sufficient and probably won't be for a few more years. Because of this they have asked for some special items from the Legislature. They have in the past asked all cities, counties and school districts in the area give them similar resolutions to this to use in their lobbying in order to show the citizens in the area support the action on behalf of Texas Tech. Alderman Robinson made the motion to approve the resolution. Alderman Babcock seconded the motion. The motion passed unanimously (5-0).

30. Llano Central Appraisal District Surplus Funds: Mr. Clarence McDaniel, Chief Appraiser for the Llano Central Appraisal District, explained there were surplus funds left over from the FY2005-2006 budget year after the audit was completed. The LCAD is attempting to obtain new appraisal software and the associated equipment since their current equipment was purchased in 1996. They had allowed \$175,000 for this in Capital Expenditures in the 06/07 Budget prorated out over five years at \$35,000 per year. By allowing the LCAD to retain these funds they reduce this by one year. The pro rata share that could be returned to the City of Horseshoe Bay would be \$6,640.95 of the \$54,785. The LCAD Board of Directors is requesting they create a budget amendment to retain the total funds and put that into an account earmarked specifically for the purchase of the appraisal software and hardware. Mr. Bird

asked for clarification that this would actually take off closer to one and one half years. Mr. McDaniel agreed and said they might actually come in under budget on this. He added that he has contacted and discussed this with other entities involved and he did not get any dissension from any of them. Alderman Rantzow made the motion to approve allowing LCAD to retain the funds. Alderman Robinson seconded the motion. The motion passed unanimously (5-0).

31. Road Proposal: Mr. Don Johnson stated that, regarding the road situation, his understanding is there will be an assessment made of the property owner; however, the Marriott and the Resort are exempt from this assessment. He then asked if it might be possible to use a portion of the sales tax receipts for road maintenance. He also asked who would maintain the roads in Skywater after the project is in place. Mayor Lambert stated there is a meeting concerning the HSB POA roads at the Marriott on January 30th at 7:00 p.m. He added since the Marriott and the Resort are exempt from the assessment they have made a firm commitment of \$1 million to the project. Mayor Lambert said he anticipates in the next two or three months the City will negotiate a contract with the HSB POA after a decision is made as to how they will proceed concerning a possible assessment of property owners and he would expect this tentative contract would be negotiated prior to any ballot going out to the POA membership. He also asked Alderman Bird and Alderman Robinson to meet with the other POAs in the City to make sure they understand what is going on and discuss any other concerns they might have concerning the roads. Mayor Lambert also wants to get an understanding of other maintenance costs the City might incur when taking ownership of the roads. Mr. Tom Engler will assist the Mayor with this and blend this into an overall cash flow projection for the City along with likely ways to finance the cost. The option is also available to cities to have a ¼% sales tax solely dedicated to roads. Mayor Lambert anticipates if the road proposal passes and the City does take over some of the roads and the sales tax issue passes in May that this ¼% additional sales tax might be put on the ballot for next November or May of 2008. He then encouraged the Council to listen to people in the City to get ideas on how to fine tune this proposal. He stated that the Council will keep citizens up to date on the City issues as developments occur. Mayor Lambert added if the Skywater Development goes forward he would envision the roads would be high quality comparable to the roads in The Trails. The developers would possibly be reimbursed through the PID. It is a legal option that is available to them. He would expect those roads would be initially deeded over to the Skywater POA and the POA would conduct maintenance on those roads just like all the other POAs in the City. He feels the City would have the right to ask that those roads be dedicated to the City at the City's option.
32. Resolution Authorizing the Mayor to Negotiate and Execute Written Agreements with Llano and Burnet Counties: Mayor Lambert said this Resolution will give him the authority to execute an agreement giving the City the authority to approve plat changes in the ETJ. This is a normal way that cities and counties interact with each other, but it does need to be a formal agreement. He added he has had discussions with officials in Llano and Burnet Counties and he is not aware of any issues at this time. The City just needs to get the document drafted and signed by the Mayor and approved by both Commissioners' Courts. Mr. Babcock explained that this could not be done prior to adopting a Subdivision Ordinance. This will allow the City to assume this responsibility which is what both the City and the Counties would like to occur. Alderman Babcock made the motion to approve the resolution. Alderman Robinson seconded the motion. The motion passed unanimously (5-0).

33. Adjournment: Alderman Rantzow made the motion to adjourn the meeting at 5:20 p.m. Alderman Bird seconded the motion. The motion passed unanimously (5-0).

AMENDED and APPROVED this 20TH day of March, 2007.

Robert W. Lambert, Mayor

ATTEST:

Toni Vanderburg, City Secretary